

# WORKING CAPITAL FUND

## FY 1999 First Quarter Report: Summary

### I. Relation of Earnings to Expenses

- Each business is expected to achieve a balance between annual ‘earnings’ (billings to customers pursuant to Board-approved pricing policies) and ‘expenses’ (accrued contractual costs adjusted for depreciation, inventory changes, and related business-type transactions). Quarterly analyses are intended primarily to identify emerging annual issues that may warrant changes in Board pricing policies.
- Overall, the Fund broke even in the first quarter of FY 1999. (Table I). The \$0.6 million net earnings can be attributed largely to seasonal or one-time factors that will tend to rebalance over the fiscal year. Also, rounding has tended to overstate earnings/costs differences.

	<b>WORKING CAPITAL FUND</b>		
	<b>FY 1999 First Quarter Results, in Millions</b>		
<b>TABLE I</b>			
<u>Business Line</u>	First Quarter Earnings	First Quarter Business Expenses	First Quarter Net
Supplies	\$0.8	\$0.7	\$0.1
Mail	\$0.4	\$0.4	\$0.0
Copying	\$0.6	\$0.4	\$0.1
Printing/Graphics	\$0.9	\$0.8	\$0.2
Building Occupancy	\$13.8	\$13.7	\$0.1
Electronic Services	\$0.2	\$0.2	(\$0.0)
Telephones	\$1.7	\$1.8	(\$0.1)
Desktop	\$0.4	\$0.4	\$0.0
Network	\$0.8	\$0.7	\$0.1
Contract Closeout	\$0.2	\$0.1	\$0.1
Payroll & Personnel	\$0.5	\$0.4	\$0.1
EIS	\$0.1	\$0.1	(\$0.0)
<b>TOTAL</b>	<b>\$20.4</b>	<b>\$19.8</b>	<b>\$0.6</b>

- Specific differences in excess of \$50,000 are as follows:
  - The Supplies business line reflected net earnings of \$59,000, in part due to some upward adjustments in billings to reflect charges that should have been made in FY 1998. As discussed below, a review of this business line is in process in response to Inspector General findings of last year.
  - The Copying business line had net earnings of \$113,000, attributable primarily to color copying, where we are charging a market-based rate that more than covers direct costs. A review of rates will be undertaken after the mid-year analysis of alternative cost structures, pursuant to the 1997 IG report and the December 1998 Board approval of financial procedures.
  - The Printing/Graphics business line had excess earnings of \$151,000. Earnings for this business line are typically corrected to be brought in line with actual costs after Government Printing Office invoices are received.
  - Telephones registered a net loss of \$147,000 after a like amount of depreciation was recorded, whereas Network had a net gain of \$113,000. The matter of cost and earnings between these business lines has been discussed by the Board and warrants attention later in the fiscal year.
  - The Contract Closeout and Payroll & Personnel business lines had net earnings of \$122,000 and \$77,000 respectively. These are due to planned within-year differences between earnings and costs and do not warrant a change in pricing policy at this time.

## II. Relation of Customer Payments to Anticipated Customer Billings

- " Obligation authority for Fund businesses is derived from customer advance payments for services. The Board has adopted procedures calling for customers to make full-year advance payments into the Fund.

- " By December, we had collected \$73.4 million (91%) of the estimated \$80.6 million in FY 1999 annual revenues. Since December, a further \$ 1.9 million has been received; overall, customers have advanced an estimated 93 percent of annual requirements and aggregate collections do not appear to be a problem. (Table II)

	<b>WORKING CAPITAL FUND</b>		
	<b>FY 1999 First Quarter Results, in Millions</b>		
<b>TABLE II</b>			
<u>Business Line</u>	Advances as of First Quarter	Anticipated Full Year	% Collected
Supplies	\$2.5	\$2.8	89%
Mail	\$1.9	\$1.9	100%
Copying	\$2.4	\$2.4	100%
Printing/Graphics	\$3.6	\$3.5	102%
Building Occupancy	\$50.7	\$55.3	92%
Electronic Services	\$0.2	\$0.9	25%
Telephones	\$5.6	\$6.6	85%
Desktop	\$1.3	\$1.3	101%
Network	\$2.7	\$3.1	89%
Contract Closeout	\$0.6	\$0.6	103%
Payroll & Personnel	\$1.8	\$2.1	86%
EIS	\$0.0	\$0.1	12%
<b>TOTAL</b>	<b>\$73.4</b>	<b>\$80.6</b>	<b>91%</b>

- o Only two customers have actually been billed through January more than their advance, and WCF staff is working with the affected offices to secure payments.

### III. Relation of Payments to Obligations by Business Line

- o There have been no violations of administrative control of funds procedures by WCF business lines.

- o As shown in Table III, funds available exceeded obligations by an estimated \$55 million by the end of the first quarter. The rate of obligation is on track with annualized estimates, and the unobligated balance is virtually identical to the \$54 million available at this point in FY 1998.

<b>WORKING CAPITAL FUND</b>					
	<b>FY 1999 First Quarter Results, in Millions</b>				
<b>TABLE III</b>					
<u>Business Line</u>	Unobligated Balance 10/98	Current Year Customer Advances	Total Available	First Quarter Obligations	Balance 1/1/99
Supplies	\$1.4	\$2.0	\$3.4	\$0.8	\$2.6
Mail	\$0.8	\$1.6	\$2.4	\$0.3	\$2.1
Copying	\$1.0	\$2.2	\$3.2	\$0.9	\$2.3
Printing/Graphics	\$0.1	\$3.0	\$3.1	\$0.6	\$2.5
Building Occupancy	\$0.7	\$50.5	\$51.1	\$13.4	\$37.8
Electronic Services	\$0.0	\$0.2	\$0.2	\$0.2	(\$0.0)
Telephones	\$0.1	\$5.0	\$5.1	\$1.8	\$3.3
Desktop	\$0.3	\$1.1	\$1.4	\$0.3	\$1.2
Network	\$0.0	\$2.5	\$2.6	\$1.0	\$1.6
Contract Closeout	\$0.0	\$0.5	\$0.5	\$0.0	\$0.5
Payroll & Personnel	\$0.0	\$1.7	\$1.8	\$0.5	\$1.3
EIS	\$0.0	\$0.0	\$0.0	\$0.1	(\$0.1)
<b>TOTAL</b>	<b>\$4.5</b>	<b>\$70.3</b>	<b>\$74.8</b>	<b>\$19.8</b>	<b>\$54.9</b>

#### IV. Changes in Budget Estimates by Business Line and Customer

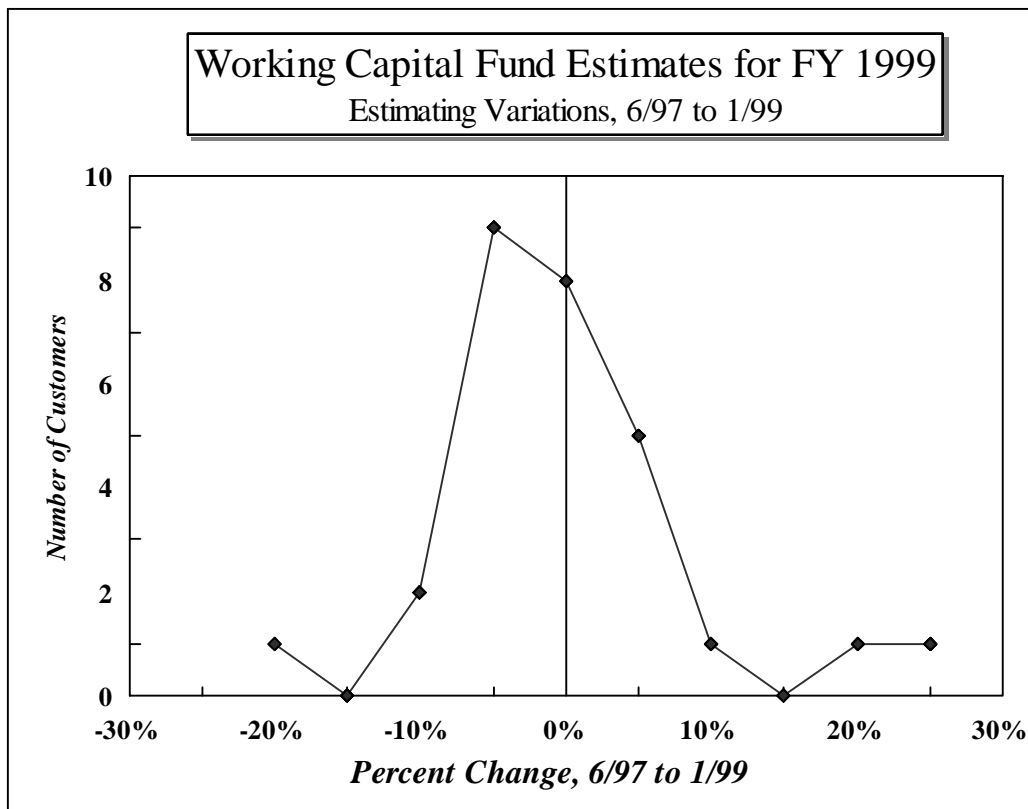
- In FY 1999, the accuracy of the WCF budget estimates appears to have improved over FY 1998. As set forth in the table below, there has been less than 1% change in the aggregate FY 1999 estimates since they were developed in June of 1997.

<b>FY 1999 Budget Estimates for WCF Businesses<sup>1</sup></b>		
Date	Process	FY 1999 Billing Estimate (\$Millions)
June 1997	FY99 Corporate Review	\$80.8
December 1997	FY99 Congressional Budget	\$80.7
May 1998	FY 2000 Corporate Review	\$80.9
December 1998	FY 2000 Congressional Budget	\$80.5
February 1999	January bill	\$80.4

- During the same time frame a year ago, the FY 1998 estimates had been adjusted downward by 7%.
- There was more fluctuation in the estimates at the individual customer level than in the aggregate estimate. The distribution of these estimating variations, expressed as percentage changes from the FY 1999 Corporate review to the FY 2000 Congressional Budget, is demonstrated in the figure below. Five customers had estimating variances outside the 10% range (positive or negative). This was primarily due to reorganization (Intelligence and Counterintelligence did not exist when the estimates were made) and to special cases such as Naval Reactors, FERC, and Power Marketing, where programs do not participate in the full range of Fund services.

---

<sup>1</sup> This analysis covers “continuing businesses” only; it omits the contract audit business that was removed from the Fund for FY 1998 and the Executive Information System business added to the Fund in FY 1999.



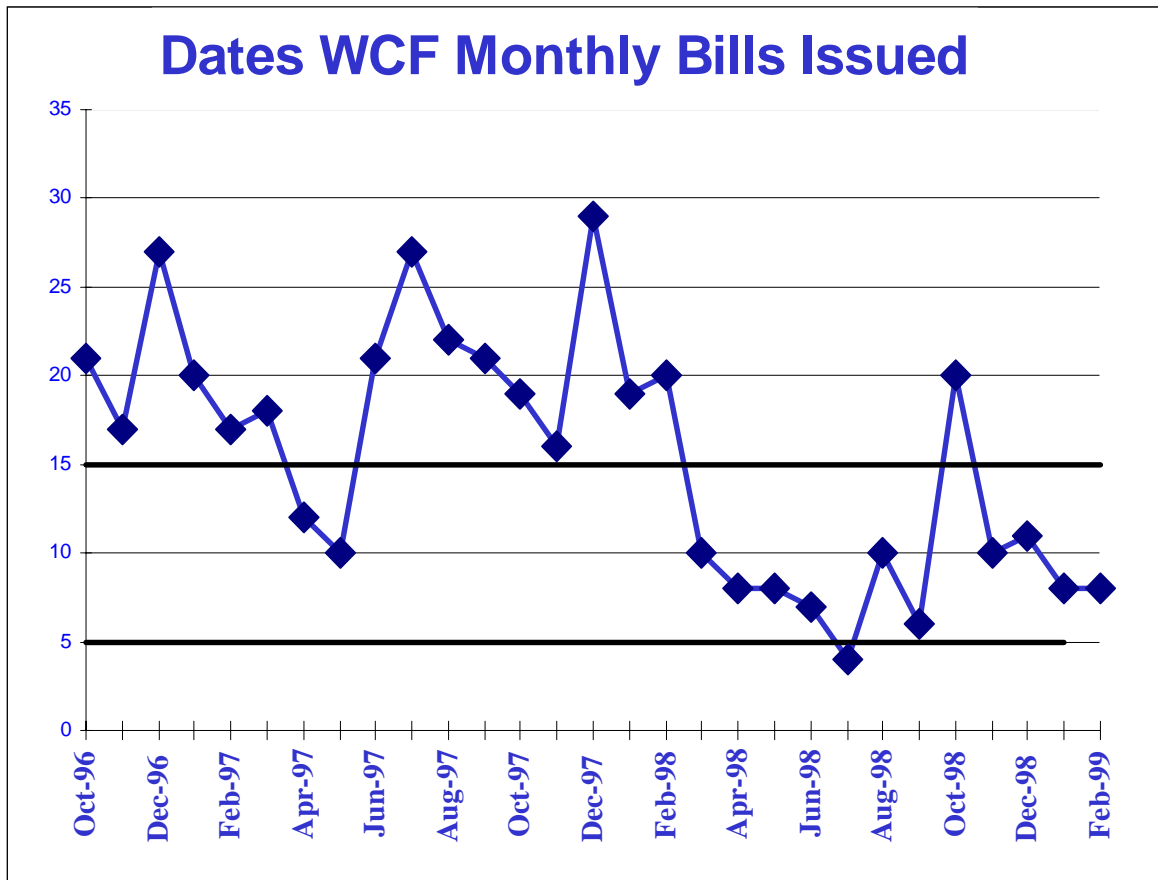
V. Anticipated Need to Change Pricing Policies or Make Substantial Changes in Operating Levels.

- o As indicated in the FY 1998 annual report, issued November 4, 1998, there does not appear to be a need for major pricing policy changes for FY 1999. There are a number of ways in which the pricing structure for Information Management business lines might be reconfigured, but the delays in this realignment do not affect current operations or overall financial health of the Fund.

## VI. Financial Management Systems Progress

### New Working Capital Fund Billing System

- " The June 30, 1998 report to the Board on WCF Financial Management Systems explained a plan to replace the *Infinity* billing system with use of readily available desktop spreadsheet and database tools, to reduce the cost and increase the flexibility of the billing activity.
- " During the summer of 1998, we began work on a Microsoft ACCESS-based tool, and in the latter months of FY 1998, we started to run billings in parallel, to check the new system against the *Infinity* results.
- " For the November bill, we used the ACCESS system exclusively, and have started to present billing information for some businesses at a more detailed level, typically at the Office level rather than the Assistant Secretary level.
- " As shown in the following graph, following delays associated with both the conversion between systems and the start of a new fiscal year, we have resumed the progress toward issuance of the bill earlier in the month. Our original goal was to have the WCF bill out in paper form by the middle of the month following service delivery (top solid line). Our current 'stretch' goal is to issue the bill in the first five working days of the month after service delivery so that the costs are entered into DISCAS for each customer for the month of actual service delivery.
- " Over the coming months, we will be working on the 'feeder' system of the business lines to expand the detail available, and we will be working with customers to identify areas of possible further improvement.



#### Blue Book Information

- " At its December 10, 1998 meeting, the Board approved a consolidated set of financial policies and procedures, for inclusion in the "Guide to Services, Policies, and Procedures" (the Blue Book).
- " In addition to issuing the Blue Book in hard copy during December, the Fund staff has created the Working Capital Fund Home Page , linked to the Management and Administration Home Page.
- " The WCF Home Page address is <http://vml.hqadmin.doe.gov:80/wcf/>
- " Customers can now access the Blue Book in electronic form on the Home Page.

- " Over the coming weeks, we will be asking customers about their use of the Home Page and determining whether to discontinue use of the electronic bulletin board.

### **Inspector General Report Follow-On**

- " The House Energy and Water Appropriations Subcommittee has asked the DOE Inspector General to perform annual audits on the Fund. Audits were performed in 1997 and 1998, and follow-on actions have formed the basis for Working Capital Fund management improvement plans.

### **1997 IG Report**

**Recommendation #1:** Need for Board policy on comparison of business line costs and earnings.

*Status: Reported "closed" with 9/98 DARTS submission due to June 30, 1998 report to Board on financial systems.*

**Recommendation #2.1:** Need for formal procedures on roles, responsibilities, and authorities of Fund officials and customers.

*Status: Reported "closed" with 3/98 DARTS report due to issuance of policies and procedures as well as delegations of authority within Management and Administration.*

**Recommendation # 2.2:** Need for a policy on Fund balances.

*Status: Completed with Board action on financial policies and procedures on December 10, 1998.*

**Recommendation #3:** Need for a simpler allocation process for contract audit services.

*Status: Closed by 3/98 DARTS report based on March 25, 1998 report to Board on allocating audit costs outside the Fund.*

**Recommendation #4:** Need to identify all direct and indirect costs associated with Fund.

*Status: Closed by 9/98 DARTS report, by the comprehensive report on cost structure to the Board, dated June 30, 1998.*

### **1998 IG Report**

**Recommendation #1:** HR (now MA) resources managers should implement a process to optimize their use of Fund services.

*Status: MA offices are reducing their use of Fund services during FY 1999, and a report will be made available in mid-FY 1999 on progress in this regard.*

**Recommendation #2:** HR (now MA) should develop procedures to assess effectiveness and efficiency of business lines, including cost comparisons to outside sources.

*Status: IG concern was primarily due to continuing losses of Supplies business line. In addition to making changes in several aspects of operating methods to improve financial results, the Director of Administration is undertaking a specific review of the Supplies business line and expects to complete this review in the Spring of 1999.*

**Recommendation #3:** Fund Manager and CFO should improve Fund financial systems and suspend acquisition of feeder systems that are not consistent with Fund systems.

*Status: Fund Manager issued guidelines in December 1998 to set criteria and procedures for new financial systems. Apart from the billing system improvement activities outlined above, the primary impact of these guidelines has been to cause a review of a replacement for the current Supplies business line system. This review is ongoing during February.*

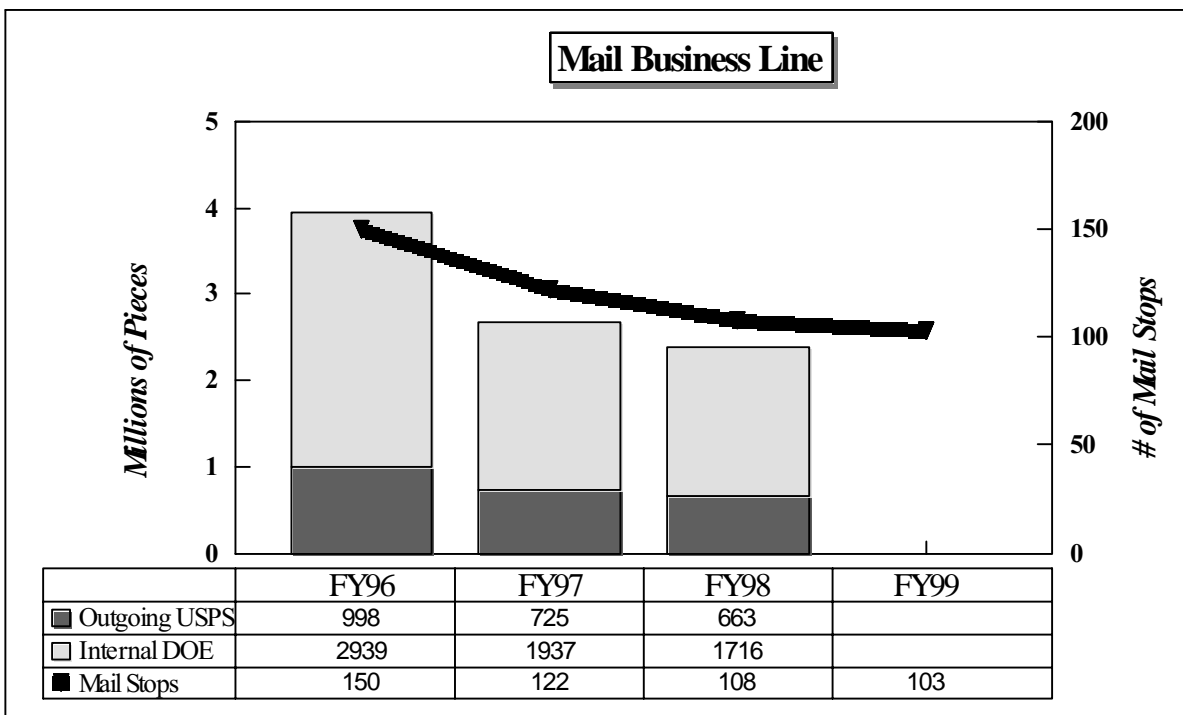
## VI. Status of Operating Efficiency Metrics

- " Fund pricing policies are intended, among other things, to provide incentives to customers to economize on the use of real resources.
- " Overall, there is evidence that customers are continuing to respond to these incentives, though the decline in usage is not as dramatic as it was in the first year of the Fund.
- " The following sections address key metrics, looking both at the long-term trends since 1996 and at quarterly trends that have been observed.

Mail: As shown in Figure A below, there has been a multiyear trend toward reduced numbers of mail stops, outgoing USPS mail, and mail pieces for internal distribution. Figures B and C report on first quarter FY 1999 trends, showing them to be tracking closely with quarterly patterns in FY 1998.

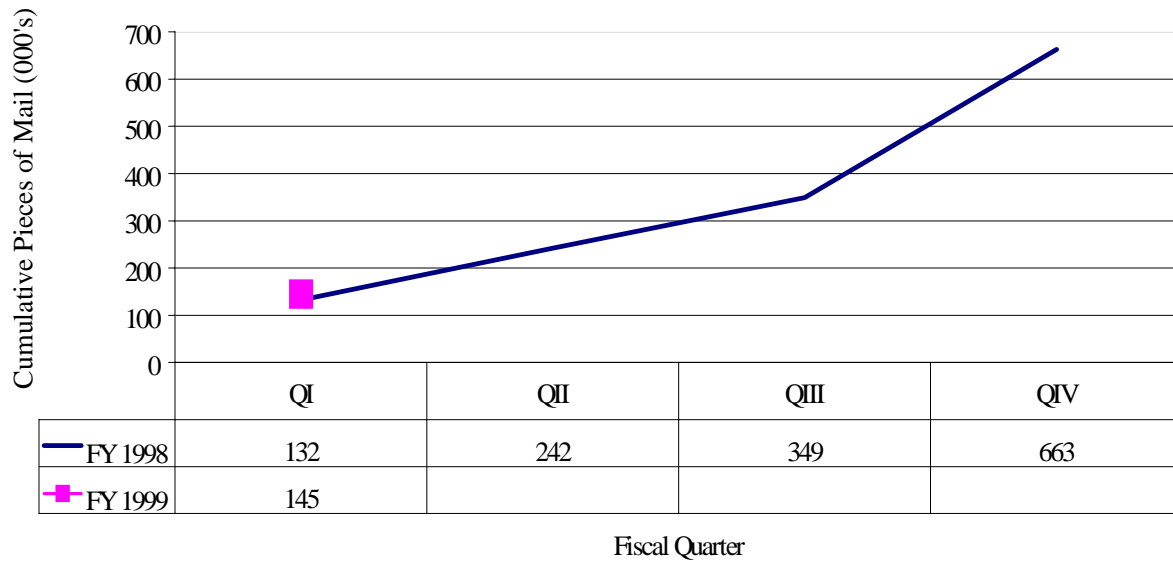
Figure A

Figure B



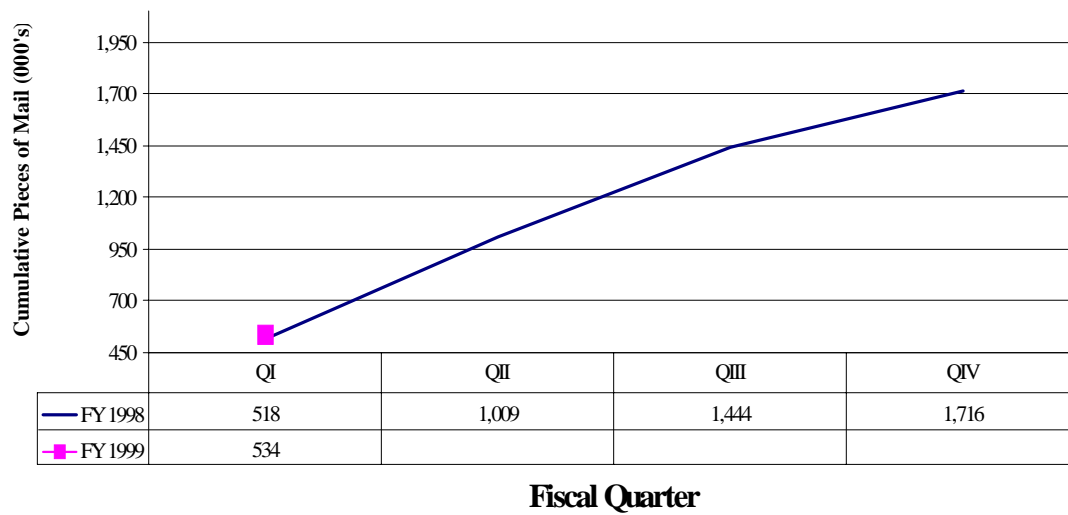
Fi

### Outgoing US Postal Service



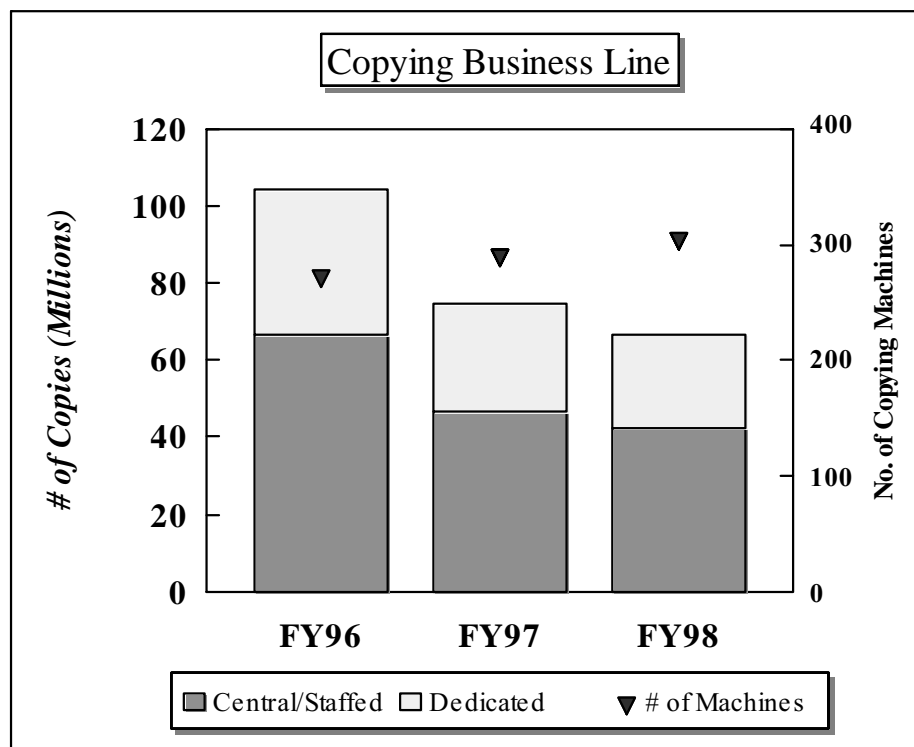
gure C

### Internal Distribution



Copying: As shown in Figure D below, there has been a significant reduction in the annual number of copies made in Headquarters since FY 1996. During the first year of the Fund, the rate of reduction was 28%, whereas in FY 1998, the rate of reduction was 11%.

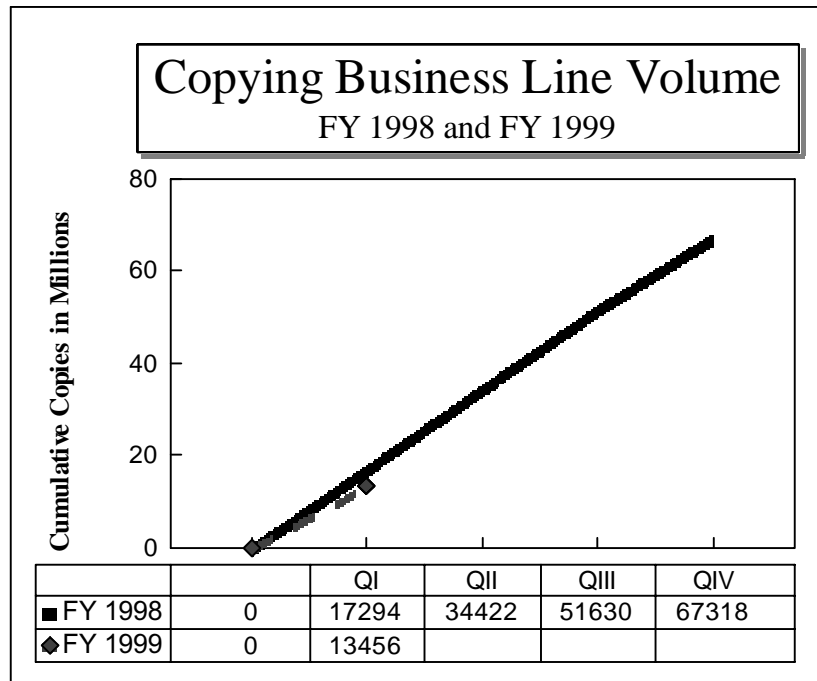
Figure D



During the first quarter of FY 1999, as illustrated in Figure E below, there has been a 20% rate of reduction from the same period in FY 1998.



Figure E



**Printing:** The annual number of printing jobs stabilized in FY 1998 (see Figure F) when taking into account both those financed through the Fund and those funded by direct citation of program funds.

Figure F

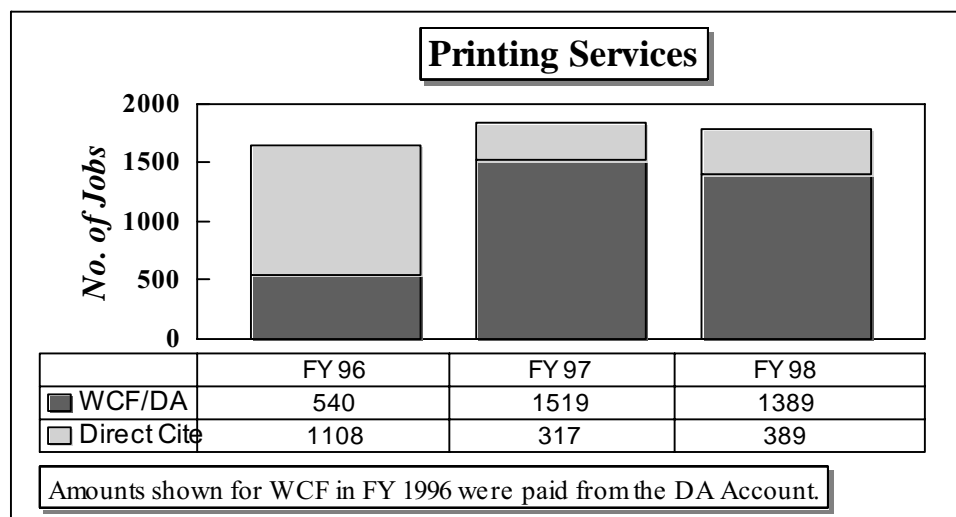
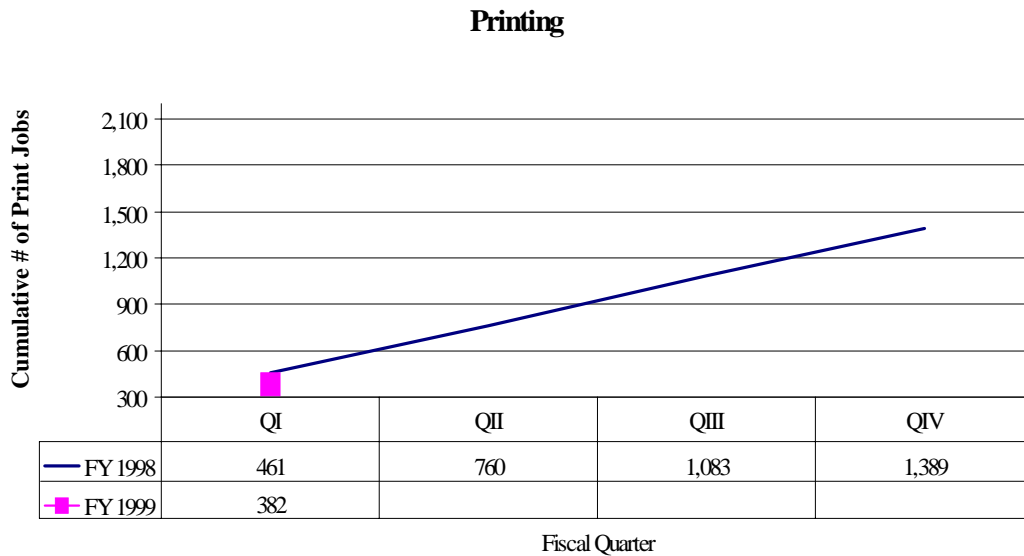


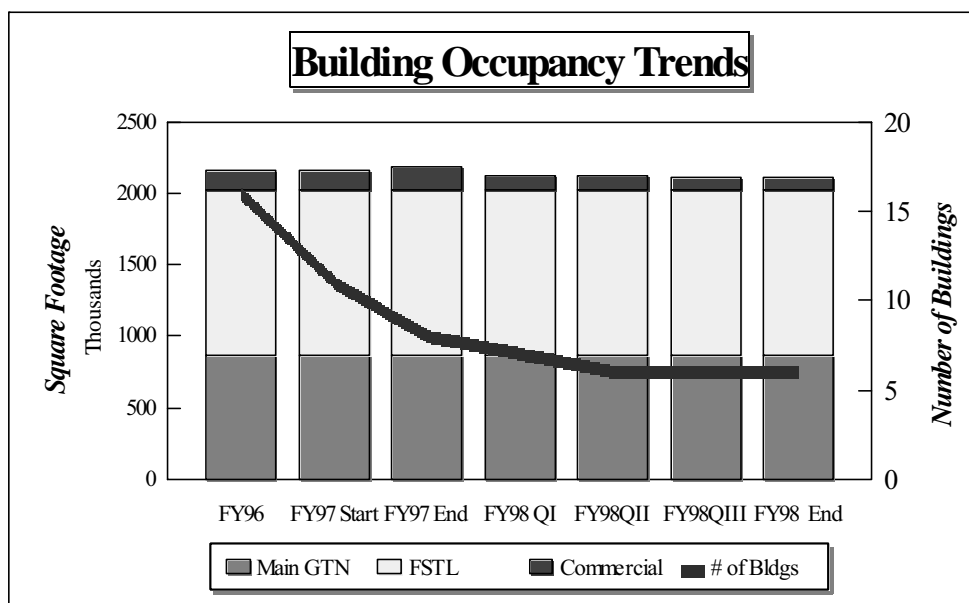
Figure G illustrates that, for the first quarter of FY 1999, the number of print jobs financed through the Fund is running below the number during the same period in FY 1998.

Figure G



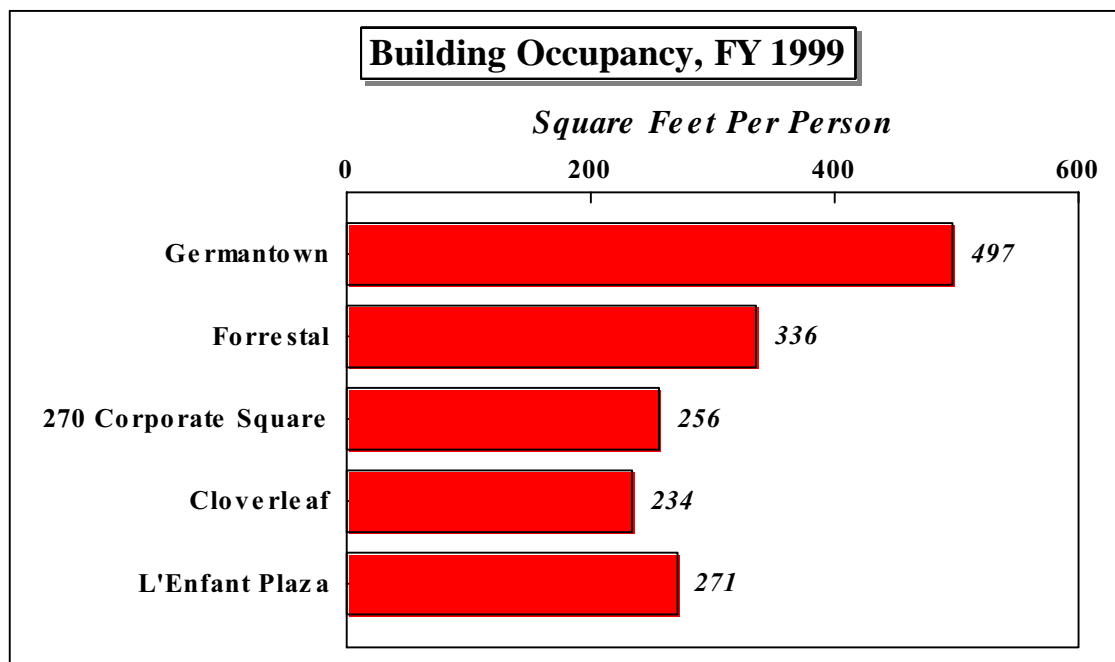
**Building Occupancy:** As shown in Figure H, the Department has substantially reduced the number of Headquarters office sites since the Fund was created, but the square footage occupied has not declined by proportionately large amounts.

Figure H



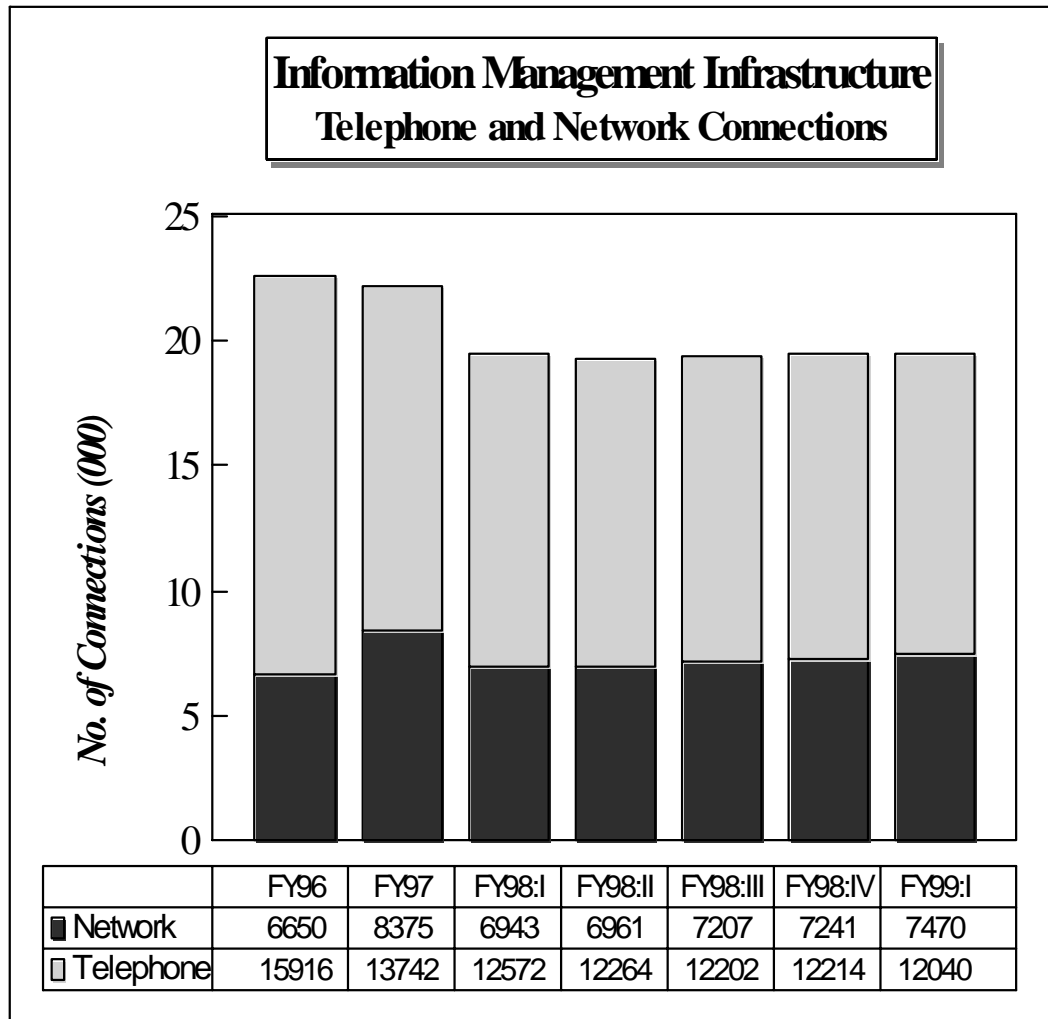
As shown in Figure I below, the large capacity of the main Germantown building results in a proportionately high amount of space per person, compared to other buildings in the Headquarters inventory.

Figure I



**Information Management:** As shown in Figure J below, the number of telephone lines has continued to decrease slightly, whereas the number of LAN connections continued to increase during the first quarter of FY 1999.

Figure J



As shown in Figures K and L below, there continues to be an upward trend in long-distance usage but a downward trend in local (dial 9) calls.

Figure K

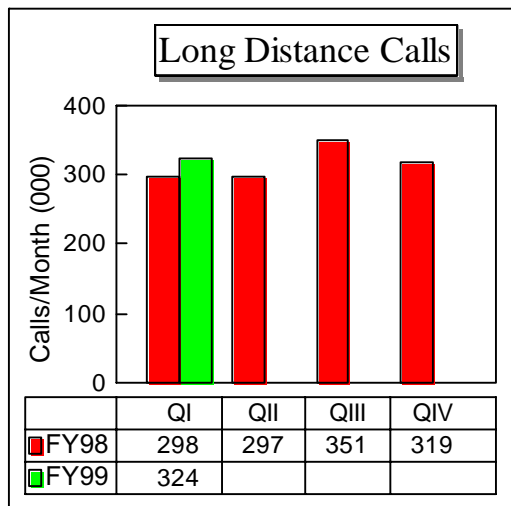
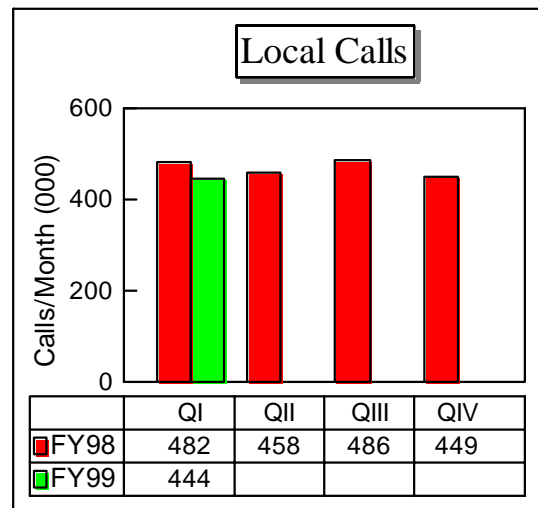
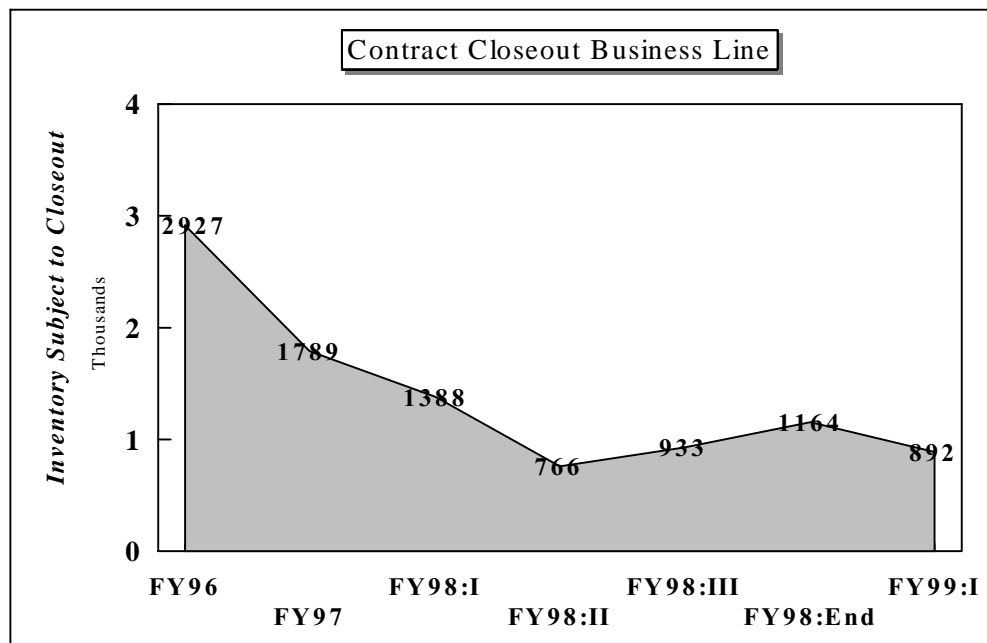


Figure L



**Contract Closeout:** The inventory of instruments subject to closeout has a cyclical pattern wherein there is a reduction early in the year as instruments are closed pursuant to annual agreements with customers. In subsequent quarters, as contracts expire, the inventory grows again, though there is also a secular decline in the inventory. FY 1999 appears to repeat this pattern, as shown in Figure M.

Figure M

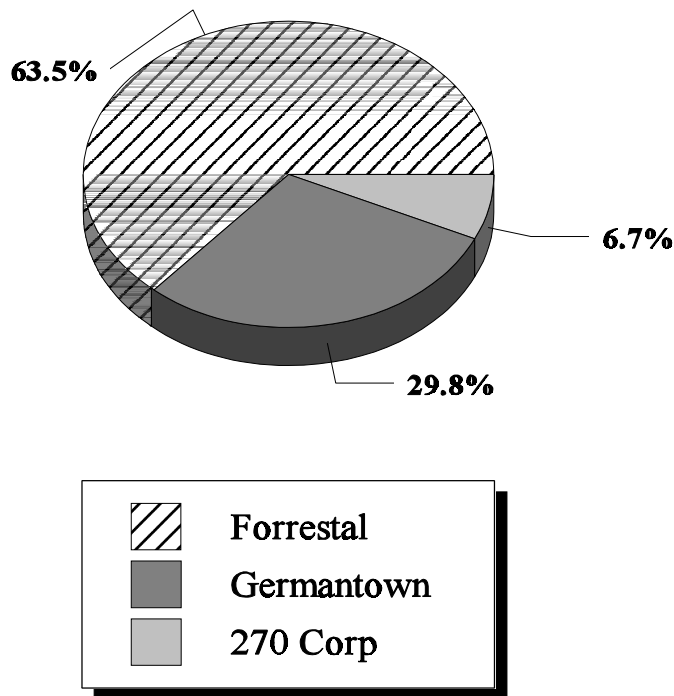


# *Working Capital Fund*

## *Self-Service Supply Stores*

---

This Chart Represents the Percentage of the Total Number of Customers Making Purchases in Each Store.



Forrestal	270 Corp	Germantown
9,557	1,003	4,483
<i>Total = 15,043</i>		

1<sup>st</sup> Quarter FY99

# Ten Fastest Moving Items Per Store

## FORRESTAL

- \* 1/4" Binder Clips
- \* Green Pocket Folders
- \* No. 3 Writing Pencil
- \* Blue Fine Point Pen
- \* Blue Double Pocket Portfolio
- \* Blue Signature Folder
- \* Post-It Note Pad 1 1/2"
- \* Uni-Vision Black Pen
- \* Post-It Note Pad 3x5"
- \* Zip-Disk IBM

## CORP 270

- \* Plastic Cups
- \* Manila File Folder
- \* Document Protectors
- \* GPB File Folder
- \* Wallet Filing Jacket
- \* Letter Kraft Folder
- \* Double Pocket Dark Blue Portfolio
- \* Kraft File Letter 3/4" Folder
- \* Wall Calendar
- \* No. 2 Pencil

## GERMANTOWN

- \* Document Protector Sealed on 3 Sides
- \* Manila File Folder
- \* Wallet Filing Jacket
- \* Kraft Envelope
- \* Plastic Cups
- \* GPB File Folder
- \* Kraft Letter Folder
- \* Hanging Folder
- \* Wall Calendar
- \* AA Alkaline Battery